

Hopeful California Cannapreneurs Study State Regulators' Rulebook

With recreational cannabis use in California going into effect in just a few weeks, preparation by state regulators and hopeful cannapreneurs is at a fever pitch. And of course integral to any sound marijuana dispensary business plan is a clear understanding of the rules and regulations shaping the operation. However, with so much of the fine print regarding the booming legal cannabis in the Golden State seemingly in a state of flux over the last several months, hard-and-fast regulations may have felt hard to pin down.

This is why last month's release of a 276-page rulebook by the state's Bureau of Cannabis Control (BCC) might have felt more highly anticipated than the latest Stephen King novel...at least for individuals wanting to get into the legal marijuana business — and wanting to do it right — such as marijuana cultivators, dispensary operators, testers, distributors, and cannabis investors.

Rulebook is a “big milestone” as state heads toward implementing legalization

Lori Ajax heads up the BCC. Remarking on the new book of marijuana business regulations, she had this to say to *The Orange County Register*: “I feel a big sigh of relief. It's a big milestone for us to release these regulations. But there's still a lot of work to be done. No rest for the weary.”

Although medical marijuana has been legal in California for two decades, recreational use for adults 21 and over has only been a reality on the theoretical level for one year (since voters said yes to Prop 64 during last November's election), and will become reality on the level of implementation come January 1st, when the law goes into effect.

It may seem that rolling out recreational cannabis rules would be a piece of cake in a state that's a veteran of the medical variety (and indeed, California was the first state in the nation to sanction medical marijuana, so in that sense it's a pioneer, too), but the very fact the medical marijuana industry already existed proved to be a thorny issue when it came to introducing a whole new side to the industry, one that will not require doctors' recommendations to fuel it.

Three state agencies worked to regulate — and integrate — recreational and medical sides

The year before Prop 64 passed, Governor Jerry Brown signed measures that would impose uniform and thorough regulations on the medical marijuana industry by the beginning of 2018. In accordance with those 2015 measures, last spring state regulators released draft rules for the medical cannabis sector and began holding public hearings to take the pulse of the state's medical marijuana stakeholders.

The draft regulations themselves reflected the work of three state agencies and the interests of various professionals within the industry: retailers, distributors, and testers are regulated by the BCC; cannabis manufacturers work under the Department of Public Health's umbrella; and marijuana cultivators are overseen by the Department of Food and Agriculture.

Originally the regulators' collaborative intention was to use public comments to make revisions to that spring medical marijuana rulebook and release a final version this fall, just ahead of the January requirement. Additionally, and because the compressed timeframe didn't allow for the opening of another window for comments, regulators had planned to use some of that previously gathered feedback and, during an “emergency rulemaking process,” develop a temporary regulatory framework for recreational marijuana use as well.

Summer trailer bill waylaid regulators' drafting plans

However, that plan went slightly off-course over the summer when California lawmakers introduced Senate Bill 94 by way of adding it to the state budget. The "Medicinal and Adult-Use Cannabis Regulation and Safety Act" sought to synthesize regulations for both cannabis sectors, medical and recreational, and emerge with one cohesive body of laws. Of course there were bound to be overlapping regulations, but there were bound to be contradictions, as well; in those instances, the trailer bill leaned toward laws set up for the recreational side of the industry.

Therefore, in September the trio of regulatory departments pulled the draft outlining medical marijuana laws and embarked on a new rulemaking journey, one that led to the nearly 300-page rulebook released last month.

There's a long way to go

Despite the feeling of finality a book might lend to the conversation, however, cannabis industry professionals acknowledge that uncertainties lie ahead.

This month prospective cannapreneurs can begin applying for temporary marijuana business permits that will go into effect in the new year. Those licenses will only be valid for four months (with an extension possible), not only because business owners will need that time to gather all the material needed for a permanent license (the state opted to streamline the temporary license process so that the legal marijuana business could start off the new year with sales), but also so that state regulators have time to finalize their rules.

And a state license for a businessperson with his/her sights set on opening a marijuana dispensary or other aspect of the legal cannabis business will also depend upon whether that hopeful cannapreneur has the appropriate local permit in hand.

The cost of annual state licenses range widely, starting at \$800 per year for distributors and going up to more than \$100,000 per year for a marijuana business involved in more than one type of undertaking.

An example of rules spelled out in the new canna-rulebook:

- A legal marijuana business must not stay open past 10 p.m.;
- A cannabis dispensary must be equipped with round-the-clock video surveillance;
- No free cannabis product samples may be given to recreational users, but may only be given to medical marijuana users or their caregivers;
- Regarding edible cannabis products, they may not contain more than 10 mg of THC per serving (and not more than 100 mg for the entire package);
- Advertising for a legal marijuana business will only be permitted in venues where at minimum 71.6% of the ad viewers are expected to be at least 21 years of age;
- A permittee may not open a marijuana dispensary within 600 feet of a school.

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